

Instructions for Reporting E-85 Transactions

Suppliers and distributors must use separate forms to report E-85 transactions if:

- Purchasing E-85 tax-free as a blended product and selling it tax-paid to retailers or consumers.
- Blending gasoline and ethanol/alcohol to create E-85 and selling the blended product tax-paid to retailers or consumers.

Suppliers and distributors who purchase E-85 as a blended product or who blend gasoline with ethanol/alcohol but sell all of the fuel tax-free to other suppliers and distributors, should report their purchases and sales on the regular motor vehicle fuel tax schedules and reports. On that report, the blended product should be reported under the “gasohol” column.

See the detailed instructions for schedules in the general fuel tax report instruction manual. The specific instructions in that manual apply to E-85 transactions. Only the exceptions applicable to E-85 transactions are noted here.

Tax Rates

The motor vehicle fuel tax rate for E-85 is one cent (\$.01) per gallon for the first 1,200,000 taxable gallons sold in North Dakota. The cap applies to an aggregate total of all taxable E-85 sold in the state, not to individual suppliers or distributors. When the 1,200,000 gallon cap is reached, the tax will be twenty-three (\$.23) per gallon. Suppliers and distributors will be notified by the Tax Commissioner when to start charging the \$.23 per gallon tax and how to transfer inventories to the regular motor vehicle fuel tax report.

E-85 Defined

“**E85 fuel**” means a petroleum product that is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline that typically contains eighty-five percent ethanol by volume, but at a minimum must contain sixty percent ethanol by volume. E85 produced for use as a motor fuel must comply with ASTM specification D 5798-96. [North Dakota Century Code § 57-43.1-01(8).]

Product Codes

The following standard uniform product codes are used for reporting motor vehicle fuel transactions:

079 E-85	065 Gasoline
124 Gasohol	241 Ethanol-Alcohol

Motor Vehicle Fuel E-85 Schedule of Gallons Received

Use the following schedules to report E-85 blended, purchased, or imported:

- 1 – Gallons received in North Dakota – ND tax paid
- 2 – Gallons received in North Dakota – ND tax NOT paid
- 3 – Gallons imported into North Dakota by your business – ND tax NOT paid

Schedule Type 1 – Gallons received in North Dakota – ND tax paid

Schedule 1 may not be used for E-85 transactions. Licensed suppliers and distributors must purchase E-85 tax-free.

Schedule Type 2 – Gallons E-85 received in North Dakota – ND tax NOT paid *(See instructions for Schedule Type 2 in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- Gallons blended E-85 purchased in ND without the ND fuel tax payable to the seller.
 - Do not report these transactions on your regular Motor Vehicle Fuel Schedule of Gallons Received, Schedule Type 2.
- Gallons gasoline transferred from regular inventory for blending with ethanol/alcohol to make E-85.
 - ◆ Report these transactions on your regular Motor Vehicle Fuel Schedule of Gallons Disbursed, Schedule Type 6. Under seller name, enter “transfer to E-85” or similar language.
- Gallons ethanol/alcohol transferred from regular inventory for blending with gasoline to make E-85.
 - ◆ Report these transactions on your regular Motor Vehicle Fuel Schedule of Gallons Disbursed, Schedule Type 6. Under seller name, enter “transfer to E-85” or similar language.

Schedule Type 3 – Gallons E-85 imported into North Dakota by your business – ND tax NOT paid *(See instructions for Schedule Type 3 in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- Gallons blended E-85 imported into ND by your business.

Details Required Schedules of E-85 Gallons Received

See the general fuel tax report instructions for all schedule detail requirements.

Motor Vehicle Fuel E-85 Schedule of Gallons Disbursed

Motor Vehicle Fuel (E-85):

- 5 - Gallons sold to retailers for resale – ND taxable – loss allowance passed on
- 5A - Gallons sold to retailers for resale – ND taxable – loss allowance NOT passed on
- 5Q - Gallons sold to consumers, or used – ND taxable
- 6 - Gallons sold to licensed suppliers or distributors for resale – ND non-taxable
- 7 - Gallons exported out of North Dakota by your business – ND non-taxable
- 8 - Gallons sold to agencies of the U.S. Government – ND tax-exempt (or tax credit taken)
- 10 - Gallons sold to Native Americans – ND tax-exempt
- 10G - Gallons sold from tax-paid inventory

Schedule Type 5 – Gallons sold to retailers for resale *(See instructions for Schedule Type 5 in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- E-85 gallons sold in ND to retailers for resale, on which the ND \$.01 per gallon tax was applied, ***but only if the one-half of one percent loss allowance was passed on to the retailer.***
 - This can include gallons sold to a supplier’s or a distributor’s own retail outlets.

- ▶ A distributor who does not carry an inventory and whose only sales are to its own retail outlets, may summarize the sales. The transactions should be summarized by location (i.e. city and state), but may be reported as a total of all sales.

Schedule 5A – Gallons sold to retailers for resale – ND taxable – loss allowance NOT passed on *(See instructions for Schedule Type 5A in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- E-85 gallons sold in ND to retailers for resale, on which the ND \$.01 per gallon tax was applied, *but the one-half of one percent loss allowance was not passed on to the retailer.*
 - ▶ This can include gallons sold to a supplier's or a distributor's own retail outlets.
 - ▶ A distributor who does not carry an inventory and whose only sales are to its own retail outlets, may summarize the sales. The transactions should be summarized by location (i.e. city and state), but may be reported as a total of all sales.

Schedule Type 5Q – Gallons sold to consumers, or used – ND taxable *(See instructions for Schedule Type 5Q in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- E-85 gallons sold directly to consumers, and E-85 gallons disbursed for your own use.
- E-85 gallons, as a negative number, for previously reported tax-paid credit card sales now being reported as tax-exempt sales on schedule types 8 or 10.

Schedule Type 6 – E-85 Gallons Sold to licensed suppliers or distributors for resale – ND non taxable *(See instructions for Schedule Type 6 in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- Report gallons E-85 sold to other suppliers or distributors without the ND tax paid.

Schedule Type 7 – E-85 Gallons exported out of North Dakota by your business – ND non-taxable *(See instructions for Schedule Type 7 in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- Gallons blended E-85 exported out of ND by your business.

Schedule Type 8 – Gallons sold to agencies of the U.S. Government – ND tax-exempt (or tax credit taken) *(See instructions for Schedule Type 8 in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- E-85 gallons sold directly by your business to an agency of the United States government, on which a ND fuel tax was not applied.
- E-85 gallons on which tax credits are claimed for previously reported tax-paid credit card sales to an agency of the United States government.
 - ▶ *These transactions may be summarized;* however, the detail must be provided to the Tax Commissioner upon request.
 - ▶ A negative adjusting entry for these same transactions must also be reported on the applicable schedule 5Q or 5X.
- E-85 gallons sold directly by your business to an agency of the United States government, on which you deducted the ND fuel tax from the agency's bill after remitting the tax to the Tax Commissioner. These transactions cover gallons previously reported as taxable on which you are now claiming exemptions for purposes of obtaining a credit on previously remitted taxes.

Schedule Type 10 – Gallons sold to Native Americans – ND tax-exempt *(See instructions for Schedule Type 10 in the general fuel tax report instruction manual)*

Report the following transactions on this schedule type:

- E-85 gallons sold directly to a Native American tribal agency on which a ND fuel tax was not applied.
- E-85 gallons sold directly to an exempt Tribal school.
- E-85 gallons of bulk delivery sold to Native American individuals on a North Dakota Indian Reservation, on which a ND fuel tax was not applied.

NOTE: To be exempt from the ND tax, the individual must be an enrolled member of the Tribe on whose reservation the sale is made and must reside on the reservation where the sale was made.

Schedule Type 10G – Gallons sold from tax-paid inventory

Schedule 10G may not be used for E-85 transactions. Licensed suppliers and distributors must purchase E-85 tax-free.

Line-By-Line Instructions for E-85 Tax Reports

All gallonage information, except inventories, must come from the supporting schedules.

- Gallons must be in “gross” gallons.

Line 1: Inventory forward = last month’s line 11 entries.

This is your closing physical inventory from the prior month brought forward to the current month.

- Enter the gallons from line 11 of your report for the prior month.

Line 2: Gal. mfg., purchased, imported = Schs. 1+2+3.

Use received schedule types 2 and 3 to complete this line. (Do not use a Schedule Type 1.)

Report the total gallons of fuel acquired during the period covered by the report.

- Enter the total gallons from schedules 2 and 3.

Line 3: Gal. taxable at \$.01 per gal. = Sch. 5.

Use disbursed schedule type 5 to complete this line.

Report the total gallons sold to retailers for resale, subject to the ND \$.01 per gallon tax, **on which you passed on a one-half-of one percent shrinkage allowance.**

- Enter the total gallons from schedule 5.

Line 4: Gal. allowance on Sch. 5 sales = .005 x line 3.

Compute the number of untaxed gallons allowed on schedule 5 sales to retailers.

- Multiply .005 (1/2 of 1%) times line 3.

Line 5: Gal. taxable at \$.01 per gal. = Schs. 5A+5Q.

Use disbursed schedule types 5A and 5Q to complete this line.

► The schedule 5A totals are gallons sold to retailers for resale, subject to the ND \$.01 per gallon tax, **on which you did NOT pass on a one-half-of one percent shrinkage allowance.**

► The schedule 5Q totals are gallons sold to consumers and gallons disbursed for your own use.

- Enter the total gallons from schedules 5A and 5Q.

Line 6: Gal. from \$.01 per gal. tax-pd inven. = Sch. 10G. *(Do not use a Sch. 10G or this line.)*

Line 7: Net gal. taxable at \$.01 per gal. = lines 3-4+5-6.

Compute the total gallons of taxable E-85 before deducting a collection allowance.

- Subtract line 4 from line 3, add line 5, subtract line 6.

Line 8: Gal. ND non-taxable = Sch. 6+7.

Use disbursed schedule types 6 and 7 to complete this line.

Report the total gallons claimed as non-taxable sales on schedule types 6 and 7.

- Enter the total gallons from schedules 6 and 7.

Line 9: Gal. ND tax-exempt = Sch. 8+10.

Use disbursed schedule types 8 and 10 to complete this line.

Report the total gallons claimed as tax-exempt sales on schedule types 8 and 10.

- Enter the total gallons from schedules 8 and 10.

Line 10: Book inventory = lines 1+2-3-5-8-9.

Compute your ending "book" inventories.

- Add lines 1 and 2, and subtract lines 3, 5, 8, and 9.

Line 11: Ending physical inventory.

Report your actual physical inventory at the end of the period covered by your report. This is not a restatement of line 10.

- Enter the correct physical inventory reading. This is NOT OPTIONAL.

Line 12: Gains: IF line 10 is less than line 11, enter dif.

If the book inventory on line 10 is less than the actual physical inventory on line 11, you have a gain.

- Compute the gain by subtracting line 10 from line 11 and enter the difference.

Line 13: Losses: IF line 10 is greater than line 11, enter dif.

If the book inventory on line 10 greater than the actual physical inventory on line 11, you have a loss.

- Compute the loss by subtracting line 11 from line 10 and enter the difference.

Line 14: Tax due at \$.01 per gal. = \$.01 x line 7.

Compute the total tax on blended E-85 before deducting a collection allowance.

- Multiply \$.01 times line 7.

Line 15: Collection allowance = .02 x line 14.

Compute the allowance provided to licensees for collecting and remitting the tax.

- Multiply .02 (2%) times line 14.

Line 16: Tax due on excess loss = p. 2, line 36.

Report the tax due on excess losses subject to the \$.01 per gallon tax.

Complete this line only when reconciling your inventory to determine if there is tax due on excess losses.

- When applicable, enter the tax amount from page 2, line 36.

Line 17: Total tax due = lines 14-15+16.

Compute the net tax payable, after deducting a collection allowance.

- Subtract line 15 from line 14, and add line 16.

Line 18: Penalty = .05 x line 17 (min. \$5.00).

A penalty applies when the tax report is not filed on or before the due date.

A penalty also applies when there is additional tax due on an amended tax report.

- For a late-filed original report, compute the penalty by multiplying .05 (5%) times the tax on line 21. If the computation is less than \$5.00, enter \$5.00.
- If there is additional tax due on an amended report, compute the penalty by multiplying .05 (5%) times the additional tax due on line 17. The additional tax due is the difference between the tax reported on line 17 of the original report and the tax reported on line 17 of the amended report.

Line 19: Interest = .01 per month x line 14.

Interest applies when the tax report is not filed on or before the due date.

Interest also applies when there is additional tax due on an amended tax report.

- ▶ Interest is 1% per month for each month the tax payment is late, beginning with the 1st of the month after the due date.

See the general fuel tax instruction manual for an example.

Line 20: Insp. Fees = total of lines 7+9 x .00025.

Compute inspections fees imposed for the state Health and Consolidated Laboratories.

- Add lines 7 and 9, and multiply that total by .00025 (1/40 of 1%).

Line 21: Tax credits available from prior months or audit.

Tax credits may result from overpayments in prior months, amended tax reports, adjustments made by the Tax Commissioner, or from audit adjustments.

- Enter the amount of available tax credit you want to use to cover the liabilities on this report.
- Do not enter an amount greater than the liabilities due on this report.
- When submitting an amended report, do not enter payments made with the original report or with a previous amendment. Previous payments for the same report do not constitute prior month credits.

Line 22: Total Due = lines 17+18+19+20-21.

Compute the total tax, penalty, interest, and inspection fees due and payable.

- Add lines 17, 18, 19, and 20, and subtract line 21.
- **Make the remittance payable to the State Tax Commissioner. (Do not use a voucher.)**

Complete the following lines on the back of the tax report when reconciling your inventory to determine if there is tax due on excess losses. (This must be done at least once in a 12-month period.)

- All header information.
- For a reconciliation covering only the current month, complete only lines 31 through 36.
- For a reconciliation covering more than one month, complete lines 23 through 36.

Line 23: Physical inven. = transfer entry from p. 1, line 1 (from report for first month in reconciliation period).

This is the beginning physical inventory used as the starting point for this reconciliation.

- Enter the gallons from page 1, line 1, of the first report covered by the reconciliation period.

EXAMPLE:

- ▶ The period covered by the reconciliation is July 2005 through October 2005.
- ▶ The first report covered by the reconciliation period is July 2005.
- ▶ Enter the gallons from p. 1, line 1 of the report for July 2005.

Line 24: Gal. mfg., purchased, imported = sum. of p.1, line 2.

Report the total gallons fuel acquired during the months covered by the reconciliation.

- Add the page 1, line 2, gallons from each month covered by this reconciliation, and enter that total.

Line 25: Gal. taxable at \$.01 per gal. = sum. of p. 1, line 3.

Report the total gallons motor vehicle fuel sold or used subject to the ND \$.01 per gallon tax during the months covered by the reconciliation.

- Add the page 1, line 3, gallons from each month covered by this reconciliation, and enter that total.

Line 26: Gal. taxable at \$.01 per gal. = sum. of p. 1, line 5.

Report the total gallons motor vehicle fuel sold or used subject to the ND \$.01 per gallon tax during the months covered by the reconciliation.

- Add the page 1, line 5, gallons from each month covered by this reconciliation, and enter that total.

Line 27: Gal. ND non-taxable = sum. of p. 1, line 8.

Report the total gallons of fuel sold or used during the period covered by this reconciliation not subject to the ND \$.01 per gallon tax.

- Add the page 1, line 8, gallons from each month covered by this reconciliation, and enter the total on this line.

Line 28: Gal. ND tax-exempt = sum. of p. 1, line 9.

Report the total gallons of tax-exempt sales to consumers during the period covered by this reconciliation.

- Add the page 1, line 9, gallons for each month covered by this reconciliation, and enter that total.

Line 29: Book inven. = lines 23+24-25-26-27-28.

Compute the book inventory for the entire period covered by this reconciliation.

- Add lines 23 and 24 and subtract lines 25, 26, 27, and 28.

Line 30: Physical inven. = transfer entry from p. 1, line 11.

Report the physical inventory at the end of the current report month.

- Enter the physical inventory entry from page 1, line 11, of the current report.

If your reconciliation is for the current month only, line 31 is your starting point.

Line 31: Gains: IF line 29 is less than line 30, enter dif.

If the book inventory on line 29 is less than the physical inventory on line 30, you have a gain.

- To compute the gain, subtract line 29 from line 30, and enter the difference.
- If reconciling the current month only, enter the gain from page 1, line 12. Your reconciliation is complete. Do not complete lines 32 through 36.
 - ▶ If you have a gains, enter the gain and STOP HERE.

Line 32: Losses: IF line 29 is greater than line 30, enter dif.

If the book inventory on line 29 is greater than the physical inventory on line 30, you have a loss.

- To compute the loss, subtract line 30 from line 29, and enter the difference.
- If reconciling the current month only, enter the loss from page 1, line 13 and complete lines 33 through 36.

Line 33: Loss allowance = .005 x line 24.

Compute the total gallons on which you may claim a loss allowance for the period covered by the reconciliation.

- If reconciling multiple months, multiply .005 (1/2 of 1%) times the gallons on line 24.
- If reconciling the current month only, multiply .005 (1/2 of 1%) times the gallons on page 1, line 2.
 - ▶ If the loss allowance is equal to or greater than the loss on line 32, enter the loss allowance and STOP HERE.

Line 34: Documented casualty losses.

- Enter the number of gallons of fuel lost due to fire, theft, leakage, spills, or acts of nature.
 - ▶ When claiming documented losses, you must provide the Tax Commissioner with written reports by law enforcement officials, fire fighters, inspectors, and similar persons. Without this documentation, losses claimed on this line will be rejected.

- If the loss allowance on line 33 was less than the loss on line 32, and if the documented casualty loss for this line is greater than the difference, enter the documented casualty loss and STOP HERE.

Line 35: Taxable excess losses = lines 32-33-34.

Compute the excess loss gallons subject to the ND \$.01 per gallon tax.

- Subtract lines 33 and 34 from line 32.

Line 36: Tax at \$.01 per gal. = \$.01 x line 35 (enter here, and on p. 1, line 16).

Compute the total ND \$.01 tax due on excess losses.

- Multiply \$.01 times line 35.
- Transfer this entry to page 1, line 16.